

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EMIN, BL

SUBJ: TIN

REF: 76 LONDON 20042; STATE 1392; 76 STATE 309351

1. MINATT MET WITH DIRECTOR OF MINING IN MINISTRY TO DISCUSS RECENT DEVELOPMENTS RE TIN. MINATT PRESENTED RATIONALE FOR U.S. POSITION AT DECEMBER ITC MEETING AS EXPLAINED IN REFTEL. DIRECTOR ANSWERED WITH A REVIEW OF GOB POLICIES AND RATIONALE. NO NEW IDEAS EMERGED FROM THE DISCUSSION BUT A BETTER UNDERSTANDING OF POSITIONS WAS ACHIEVED. HE SAID BOLIVIA IS A SMALL COUNTRY AND CANNOT IMPOST ITS VIEW EVEN ON VITAL QUESTIONS AND THUS IT IS ALWAYS READY TO DISCUSS ITS POSITIONS AND COMPROMISE. HE REPEATED THE ARGUMENT THAT A HIGHER MINIMUM WAS NEEDED TO ENTICE NEW INVESTMENT INTO TIN MINING. HE CITED A CALL HE JUST HAD FROM A MEDIUM MINER WHO HAD A FOREIGN PARTNER INTERESTED IN INVESTING IN HIS TIN MINE AND WANTED TO KNOW THE POSSIBILITY OF AN INCREASE IN THE NEAR FUTURE OF THE BSM FLOOR PRICE (OFTEN USED IN INVESTMENT ANALYSIS).

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2. DIRECTOR SAID ARGUMENT THAT TIN PRODUCER GOVERNMENTS ARE BENEFITTING FROM INCREASED PRICES COULD BE TURNED AROUND AND APPLIED TO CONSUMER INDUSTRIAL GOVERNMENTS WHO MIGHT CONSIDER REDUCING TAXES ON MINING MACHINERY COMPANIES AS COSTS OF MINING EQUIPMENT ARE RAISING THE COST OF MINING TIN. HE FINISHED BY RECOGNIZING THE

PROBLEM AND DANGER OF HAVING GOVERNMENTS TAKE TOO LARGE A BITE AND SUGGESTED THE GOVERNMENTS MIGHT SPLIT THE DIFFERENCE WITH PRODUCERS WHEN TIN GOES ABOVE A CERTAIN PRICE. HE ADDED THAT GOB WOULD LIKE TO SEE AN AUTOMATIC REVISION OF THE PRICE RANGE EVERY SIX MONTHS JUST AS THE FOREIGN SMELTERS READJUST THEIR TREATMENT COSTS (POLLUTION, WAGES, ENERGY, ETC.) AND PERHAPS THIS SMELTER ADJUSTMENT COULD BE USED AS BASIS FOR REVISION BY ITC.

3. DEJECTOR SAID BOLIVIA FAVORS A MEETING SOON OF THE ITC IN ORDER TO BEGIN DEALING WITH THE PROBLEMS AT HAND AND ALLOW BOLIVIA TO RATIFY THE FIFTH AGREEMENT EARLY RATHER THAN PUT EVERYTHING OFF UNTIL THE LAST MINUTE BEFORE THE DEADLINE IN JUNE. AS AN EXAMPLE OF WHY GOB FELT VOTING SYSTEM WAS UNFAIR HE REFERRED TO FACT THAT CONSUMERS

SUCH AS U.S. COULD VOTE ON AMOUNT PRODUCERS CONTRIBUTE TO BUFFER STOCK EVEN THOUGH THEY HAVE REFUSED TO MAKE A CONTRIBUTION THEMSELVES. THIS LED HIM TO REMARK THAT IN PRESENT SITUATION BSM CANNOT EFFECT THE MARKET SINCE IT HAS LITTLE TIN AND IT CAN'T BUY IT WITHOUT DRIVING PRICE HIGHER WHICH IS ALREADY ABOVE NEW CEILING BECAUSE SUPPLY IS TIGHT. THIS IS PROOF OF THE NEED FOR CONSUMER CONTRIBUTIONS TO BUFFER STOCK TO GIVE IT SUFFICIENT RESOURCES WITH WHICH TO OPERATE.

4. FINALLY, HE SAID PRESIDENT BANZER MAY BE CALLING AMBASSADOR STEDMAN TO DISCUSS THE PROBLEMS RELATING TO TIN. MINATT INTENDS TO MEET WITH A SMALL GROUP NEXT WEEK FROM LIMITED OFFICIAL USE

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MINISTRY OF MINES, ASSOCIATION OF MEDIUM MINERS AND C. ITURRALDE TO FURTHER DISCUSS TIN AND PRESENT U.S. VIEWS. RESULTS OF MEETING WILL BE REPORTED AT THAT TIME.

5. COMMENT: PRESS HEADLINES ON JANUARY 6 REPORT SPECIAL MEETING OF ITC TO CONSIDER BOLIVIA'S NON-RATIFICATION OF FIFTH ITA. GOB POSITION IS SUPPORTED BY STATEMENTS FROM PRESIDENT OF MEDIUM MINERS ASSOCIATION. ARTICLES MAINTAIN THAT ITC WILL HAVE TO MEET BOLIVIAN JUST DEMANDS AND SUGGEST A VISIT TO LA PAZ BY ITC CHAIRMAN PETER LAI. EMBASSY BELIEVES GOB WILL CONTINUE TO PUSH FOR INCREASE IN FLOOR AND CEILING PRICES IN COMING MONTHS AND ALSO RAISE ISSUE OF ITC VOTING PROCEDURES AND CONSUMER CONTRIBUTIONS TO BUFFER STOCKS. STEDMAN

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